November 2023 Economic and fiscal outlook

The event will begin at 2.30pm
November 2023 Economic and fiscal outlook

Richard Hughes
Chair
London
22 November 2023
GDP

Real GDP level

Pre-pandemic level
November 2023 forecast
March 2023 forecast
Forecast

Source: ONS, OBR
Inflation

CPI inflation

Percentage change on a year earlier

Forecast

November 2023 forecast

March 2023 forecast

Source: ONS, OBR
Composition of inflation

**Wholesale gas prices**

- 2018: 50 Pence per therm
- 2020: 100 Pence per therm
- 2022: 150 Pence per therm
- 2024: 200 Pence per therm
- 2026: 250 Pence per therm
- 2028: 300 Pence per therm

**UK nominal earnings**

- 2018: 90
- 2020: 95
- 2022: 100
- 2024: 105
- 2026: 110
- 2028: 115

**Forecast**

- March 2023 forecast
- November 2023 forecast

Source: Datastream, ONS, OFGEM, Eikon, OBR
Interest rates

Bank Rate

Forecast

November 2023 forecast

March 2023 forecast

Gilt yields by year of maturity

November 2023 forecast

March 2023 forecast

Source: Bank of England
Change in public borrowing since March

Source: OBR
Change in public borrowing since March

Source: OBR

- £59bn
Change in public borrowing since March

Source: OBR
Change in public borrowing since March

Source: OBR
Change in public borrowing since March

-80 -60 -40 -20 0 20 40 60 80
2023-24 2024-25 2025-26 2026-27 2027-28
£ billion

Higher borrowing

Lower borrowing

Revenue
Welfare spending
Debt interest spending
Public services & other spending
Change in pre-measures borrowing
Policy measures
Change in post-measures borrowing

Source: OBR

-£3bn
Change in public borrowing since March

Source: OBR

- Higher borrowing
- Lower borrowing

- Revenue
- Welfare spending
- Debt interest spending
- Public services & other spending
- Change in pre-measures borrowing
- Policy measures
- Change in post-measures borrowing

Source: OBR

- £27bn
Change in public borrowing since March

Source: OBR

£27bn

Higher borrowing

- Revenue
- Welfare spending
- Debt interest spending
- Public services & other spending
- Change in pre-measures borrowing
- Policy measures
- Change in post-measures borrowing
Change in public borrowing since March

Source: OBR
Autumn Statement policy package

- 2p cut in employee National Insurance Contributions and other changes costing £10 billion by 2027-28
- Permanent up-front tax write-offs for business investment costing £9 billion by 2027-28
- Health and welfare reforms to help get 50,000 more people into employment
Tax burden

Historical data

2010-11 onwards, magnified scale

- November 2023 pre-measures forecast
- November 2023 forecast
- March 2023 restated
- Outturn

Source: ONS, OBR
Public services spending

Departmental expenditure limits
(Cash totals)

<table>
<thead>
<tr>
<th></th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
<th>2026-27</th>
<th>2027-28</th>
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<tbody>
<tr>
<td>Unallocated (including reserves)</td>
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<td>150</td>
<td>200</td>
<td>250</td>
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</tr>
</tbody>
</table>

Source: PESA, OBR

Departmental expenditure limits
(Real change since 2022-23)

March 2023 forecast - £19 billion

Source: OBR
Government borrowing

Source: ONS, OBR
Government debt (ex Bank of England)

Per cent of GDP

March 2023 forecast
November 2023 pre-measures forecast
November 2023 forecast
Outturn

Source: ONS, OBR

£6½ bn headroom
£13 bn headroom
Headroom against fiscal rules

Average fiscal headroom (2010-2023)

Source: OBR
Risks to the outlook

Economy
- Interest rates
- Inactivity
- Productivity

Fiscal
- Fuel duty
- Departmental spending
- Tax burden
Summary

• Economy has turned out to be more resilient but also slower growing

• Inflation has been more persistent & domestically-driven, raising interest rate expectations

• Higher inflation pushes up tax receipts and welfare benefits, while higher interest rates increase debt servicing costs

• But the decision to leave departmental spending largely unchanged helps to deliver a £27 billion reduction in borrowing by 2027-28

• Chancellor spends virtually all of this windfall on a 2p NICs cut, a permanent tax write-off for business investment, and further welfare reform targeting the inactive

• Chancellor also increases his headroom against his target of getting debt/GDP falling in 5 years from £6.5bn to £13bn, but mainly thanks to the deadline rolling onto another year
Thank you for listening

Slides and speaking notes are available on our website
www.obr.uk

Please email us with any further questions
OBR.Enquiries@obr.uk